

GAS MEASUREMENT INSTRUMENTS LIMITED

Registered No. SC025020

REPORT AND ACCOUNTS

1999

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GAS MEASUREMENT INSTRUMENTS LIMITED**OFFICERS AND PROFESSIONAL ADVISORS**

Directors	Derek C Manson James A Sheriff Douglas H C Cunningham David S Hunter T Geoffrey Whittaker	Chairman Managing Sales Financial Non-executive Director
Secretary	David S Hunter	
Registered Office	Inchinnan Business Park Renfrew Strathclyde PA4 9RG	
Registration Number	SC025020	
Bankers	Clydesdale Bank plc St. Vincent Place Glasgow G1	
Auditors	Ernst & Young George House 50 George Square Glasgow G2 1RR	
Solicitors	Biggart, Baillie & Gifford Dalmore House 310 St Vincent Street Glasgow G2 5QR	

GAS MEASUREMENT INSTRUMENTS LIMITED**DIRECTORS' REPORT**

The Directors present their report and accounts for the year ended 31 December 1999, to be submitted to the fifty-third Annual General Meeting to be held at the Registered Office on 24 March 2000 at 2:00pm.

Results and dividends :

The trading profit for the year, after taxation , amounted to £228,368. The directors recommend that the following dividend be paid:

Ordinary	£600,000
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Principal Activity and Review of the Business

The company's principal activities during the year continued to be the manufacture, distribution and installation of electronic gas detection instruments and systems. Ongoing research and development of micro-processor based instrumentation has secured existing markets and offers the opportunity for continued expansion.

Year 2000 Compliance :

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the Year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to some degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

Action plans put in place to deal with the key risks to our business have ensured that the impact of the Year 2000 problem has not resulted in a major disruption to our activities.

The situation will however continue to be monitored, given the ongoing concern surrounding other critical dates throughout the Year 2000.

The costs associated with implementing the action plans have not materially affected the results of the company.

GAS MEASUREMENT INSTRUMENTS LIMITED

DIRECTORS' REPORT

(continued)

Directors and their interests :

The directors at 31st December 1999 and their interests in the ordinary share capital of the company were as follows :

	At 31 December 1999 Ord. Shares	At 1 January 1999 Ord. Shares
J A Sheriff	-	-
D C Manson	-	-
T G Whittaker	-	-
D S Hunter	-	-
D H C Cunningham (appointed 1.9.99)	-	-

J G Milne was a director until his resignation on 31 August 1999.

The Articles of Association adopted on 14th March 1989 state that the Directors shall not be liable to retirement by rotation.

All of the Issued Share Capital of the Company is held by GMI Group Limited. The directors' interests in the share capital of GMI Group Limited are disclosed in the accounts of that company.

Auditors :

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

On behalf of the board



D S Hunter
Secretary

28th February 2000

GAS MEASUREMENT INSTRUMENTS LIMITED

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS

to the members of Gas Measurement Instruments Limited

We have audited the accounts on pages 7 to 20, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 11 and 12.

Respective responsibilities of the directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

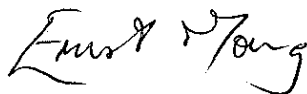
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young

Registered Auditor
Glasgow

28 February 2000

GAS MEASUREMENT INSTRUMENTS LIMITED

PROFIT AND LOSS ACCOUNT
 for the year ended 31 December 1999

	notes	1999 £	1998 £
Turnover	2	6,050,090	4,832,009
Cost of sales		(3,146,858)	(2,599,554)
Gross profit		2,903,232	2,232,455
Distribution costs		(100,885)	(93,405)
Administrative expenses		(2,489,520)	(2,137,292)
Operating profit	3	312,827	1,758
Interest receivable	6	21,088	29,151
Interest payable	7	(5,449)	(5,719)
Profit on ordinary activities before taxation		328,466	25,190
Tax on profit on ordinary activities	8	(100,098)	677
Profit for the Financial Year	18	228,368	25,867
Dividends:	9,18	600,000	-
(Loss)/profit retained for the Financial Year		(371,632)	25,867

The notes on pages 11 to 20 form part of these accounts.

GAS MEASUREMENT INSTRUMENTS LIMITED**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**
for the year ended 31 December 1999

	1999 £	1998 £
Profit for the financial year	228,368	25,867
Unrealised surplus on revaluation of freehold land and buildings	313,500	-
Total recognised gains and losses relating to the year	<u>541,868</u>	<u>25,867</u>

The notes on pages 11 to 20 form part of these accounts.

GAS MEASUREMENT INSTRUMENTS LIMITED

BALANCE SHEET
at 31 December 1999

	notes	1999 £	1998 £
Fixed assets :			
Tangible assets	10	1,059,463	818,918
		<u>1,059,463</u>	<u>818,918</u>
Current assets :			
Stocks	11	468,571	509,566
Debtors	12	2,392,483	2,304,802
Cash at bank and in hand		545,098	567,804
		<u>3,406,152</u>	<u>3,382,172</u>
Creditors: amounts falling due within one year	13	844,268	506,745
Net current assets		<u>2,561,884</u>	<u>2,875,427</u>
Total assets less current liabilities		<u>3,621,347</u>	<u>3,694,345</u>
Creditors: amounts falling due after more than one year	14	14,413	20,133
		<u>3,606,934</u>	<u>3,674,212</u>
Provision for liabilities and charges :			
Deferred taxation	16	29,911	39,057
		<u>3,577,023</u>	<u>3,635,155</u>
Capital and reserves :			
Called up share capital	17	27,440	27,440
Capital redemption reserve		3,500	3,500
Share premium account		279,180	279,180
Revaluation reserve		546,000	232,500
Profit and loss account		2,720,903	3,092,535
	18	<u>3,577,023</u>	<u>3,635,155</u>

D C Manson



Director

28th February 2000

The notes on pages 11 to 20 form part of these accounts.

GAS MEASUREMENT INSTRUMENTS LIMITED

CASH FLOW STATEMENT
for the year ended 31 December 1999

	notes	1999 £	1998 £
Net cash Inflow from operating activities	19	653,733	161,221
Returns on investments and servicing of finance :			
Interest received	6	21,088	29,151
Interest element of finance lease and hire purchas payments	7	(5,449)	(5,512)
Interest paid	7	-	(207)
Taxation :			
Corporation tax paid (including advance corporation tax)		(16,889)	(36,889)
Capital expenditure and financial investment :			
Payments to acquire tangible fixed assets		(18,531)	(20,099)
Receipts from sales of tangible fixed assets		22,172	21,671
Equity dividends paid :			
Dividend to Group Company		(600,000)	-
		56,124	149,336
Financing :			
Repayment of capital element of finance leases and hire purchase payments		(78,830)	(54,340)
(Decrease)/increase in cash		(22,706)	94,996
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash		(22,706)	94,996
Cash used to repay capital element of finance leases and hire purchase contracts		78,830	54,340
Change in net funds resulting from cash flows		56,124	149,336
New finance leases and hire purchase contracts		(81,473)	(76,849)
Movement in net funds	19	(25,349)	72,487
Net funds at 1 January	19	494,804	422,317
Net funds at 31 December	19	469,455	494,804

The notes on pages 11 to 20 form part of these accounts.

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1999

1 ACCOUNTING POLICIES :

a) Accounting convention

The accounts are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

b) Fixed assets

All fixed assets are initially recorded at cost. Freehold land and buildings have subsequently been revalued as at 31 December 1999 with the revaluation surplus being taken to the revaluation reserve.

c) Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or valuation, of each asset evenly over its expected useful life as follows:

Freehold Land & Buildings	4%
Leasehold improvements	10%
Plant and equipment	10%
Office equipment and computers	20%
Vehicles	25%

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

The carrying values of tangible fixed assets are reviewed for impairment in periods, if events or changes in circumstances indicate the carrying value may not be recoverable.

d) Stocks

Stocks are stated at the lower of cost and net realisable value.

Costs include all costs incurred in bringing each product to its present location and condition as follows:

- Raw materials - purchase cost on a first-in, first-out basis.
- Work-in-progress and finished goods - cost of direct materials.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

e) Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1999 (continued)

1 ACCOUNTING POLICIES : (continued)

f) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are re- translated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

g) Research and development

All expenditure incurred on research and development is written off in the year of expenditure.

h) Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital payments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

i) Pensions

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

2 TURNOVER :

Turnover represents the invoiced amount of goods sold and services provided stated net of value added tax.

The turnover and profit on ordinary activities before taxation is totally attributable to the continuing activities of manufacture, distribution and installation of electronic gas detection instruments and systems.

An analysis of turnover by market is given below :

	1999	1998
	£	£
United Kingdom	3,926,534	2,877,001
Europe	742,752	597,224
North and South America	1,072,393	1,068,374
Rest of World	308,411	289,410
	6,050,090	4,832,009

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1999
(continued)**3 OPERATING PROFIT :**

This is stated after charging :	1999 £	1998 £
Depreciation of owned fixed assets	129,851	159,090
Depreciation of assets held under finance leases and hire purchase contracts	37,258	22,483
	<u>167,109</u>	<u>181,573</u>
Development expenditure written off	527,987	576,134
Auditors' remuneration - audit services	9,450	10,500
- non-audit services	14,290	13,295
Operating lease rentals - land and buildings	19,750	19,750
- plant and machinery	6,068	4,213
	<u>607,545</u>	<u>646,987</u>

4 DIRECTORS' EMOLUMENTS :

	1999 £	1998 £
Emoluments	<u>283,093</u>	<u>271,374</u>

Company contributions paid to money purchase pension scheme	<u>32,236</u>	<u>23,749</u>
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	1999 No.	1998 No.
Members of money purchase pension schemes	<u>4</u>	<u>4</u>

	1999 £	1998 £
The amounts in respect of the highest paid director are as follows:		

Emoluments	<u>79,961</u>	<u>79,207</u>
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Company contributions paid to money purchase pension scheme	<u>7,059</u>	<u>6,803</u>
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GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1999
(continued)

5 STAFF COSTS :	notes	1999 £	1998 £
Wages and salaries		1,803,955	1,674,336
Social security costs		181,296	164,088
Other pension costs		81,609	70,188
		2,066,860	1,908,612
The average weekly number of employees during the year was as follows :			
		No.	No.
Office and management		55	54
Manufacturing		31	32
		86	86
6 INTEREST RECEIVABLE :			
		1999 £	1998 £
Bank interest and short term deposits		21,088	29,151
7 INTEREST PAYABLE :			
		1999 £	1998 £
Bank loans and overdraft		-	207
Finance charges payable under finance leases and hire purchase contracts		5,449	5,512
		5,449	5,719
8 TAX ON PROFIT ON ORDINARY ACTIVITIES :			
		1999 £	1998 £
U K Corporation tax		108,824	16,469
Deferred taxation	16	(6,761)	(8,439)
		102,063	8,030
Corporation tax under/(over) provided in prev. year		420	(21,609)
Deferred tax (over)/under provided in previous yea	16	(2,385)	12,902
		100,098	(677)

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1999
(continued)

9 DIVIDENDS :	1999 £	1998 £
Equity dividends on ordinary shares:		
Final paid	600,000	-

10 TANGIBLE FIXED ASSETS:

	Land, Bldgs & Leasehold Improvements £	Plant and Fixtures £	Motor Vehicles £	Total £
Cost or valuation :				
At 1 January 1999	747,511	730,743	391,484	1,869,738
Additions	-	11,744	88,260	100,004
Disposals	-	-	(98,012)	(98,012)
Revaluations	112,500	-	-	112,500
At 31 December '99	860,011	742,487	381,732	1,984,230
Depreciation :				
At 1 January 1999	270,426	542,176	238,218	1,050,820
Charge for year	35,476	52,857	78,776	167,109
Disposals	-	-	(92,162)	(92,162)
Revaluations	(201,000)	-	-	(201,000)
At 31 December '99	104,902	595,033	224,832	924,767
Net Book Value :				
At 31 December '99	755,109	147,454	156,900	1,059,463
At 1 January 1999	477,085	188,567	153,266	818,918

The net book value of motor vehicles includes an amount of £123,799 (1998 £101,871) in respect of assets held under finance leases and hire purchase contracts.

The freehold land and buildings situated at Renfrew were valued at their open market value for existing use, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors, on 31 December 1999 by Gerald Eve, Chartered Surveyors, at £720,000

On the historical cost basis, freehold land and buildings would have been included as follows:

Cost:	£
At 1 January 1999 and 31 December 1999	375,000
Cumulative depreciation based on cost:	
At 1 January 1999	147,500
At 31 December 1999	162,500

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1999
(continued)

11 STOCKS :	notes	1999	1998
		£	£
Raw materials and consumables		334,270	390,844
Work-in-progress		58,928	59,907
Finished goods and goods for resale		75,373	58,815
		<hr/> 468,571	<hr/> 509,566

The difference between purchase price or production cost of stocks and their replacement cost is not material.

12 DEBTORS :		1999	1998
		£	£
Trade debtors		1,341,909	928,315
Other debtors		2,200	2,000
Prepayments and accrued income		19,246	9,019
Amounts owed by parent undertaking		1,029,128	1,365,468
		<hr/> 2,392,483	<hr/> 2,304,802

13 CREDITORS : Amounts falling due within one year		1999	1998
		£	£
Obligations under finance leases and hire purchase contracts	15	61,231	52,868
Trade creditors		455,193	253,970
Corporation tax		108,824	16,469
Other taxes and social security costs		46,204	94,249
Accruals		172,816	89,189
		<hr/> 844,268	<hr/> 506,745

14 CREDITORS : Amounts falling due after more than one year		1999	1998
		£	£
Obligations under finance leases and hire purchase contracts	15	14,413	20,133
		<hr/>	<hr/>

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1999
(continued)**15 OBLIGATIONS UNDER FINANCE LEASES AND
HIRE PURCHASE CONTRACTS**

	notes	1999 £	1998 £
The maturity of these amounts is as follows:			
Amounts payable :			
Within one year		63,688	55,596
In two to five years		14,637	20,459
		<u>78,325</u>	<u>76,055</u>
Less: finance charges allocated to future periods		2,681	3,054
		<u>75,644</u>	<u>73,001</u>
Finance leases and hire purchase contracts are analysed as follows:			
Current obligations	13	61,231	52,868
Non-current obligations	14	14,413	20,133
		<u>75,644</u>	<u>73,001</u>

16 PROVISIONS FOR LIABILITIES AND CHARGES :

The movements in deferred taxation during the current and previous years are as follows:

		1999 £	1998 £
At 1 January		39,057	34,594
Charge for the year	8	(6,761)	(8,439)
Adjustment relating to prior year	8	(2,385)	12,902
		<u>29,911</u>	<u>39,057</u>
At 31 December			
Full provision for deferred taxation has been made as follows:			
Capital allowances in advance of depreciation		<u>29,911</u>	<u>39,057</u>

17 SHARE CAPITAL :

		1999 No.	1998 No.
Authorised :	Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Issued :	Allotted, called up and fully paid	<u>27,440</u>	<u>27,440</u>

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1999
(continued)

18 RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES :

	Share Capital £	Redemp'n Reserve £	Share Premium £	Revalua'n Reserve £	Profit & Loss Account £	Total £
At 1 January 1998	27,440	3,500	279,180	232,500	3,066,668	3,609,288
Profit for the year	-	-	-	-	25,867	25,867
At 1 January 1999	27,440	3,500	279,180	232,500	3,092,535	3,635,155
Profit for the year	-	-	-	-	228,368	228,368
Dividend paid	-	-	-	-	(600,000)	(600,000)
Revaluation surplus	-	-	-	313,500	-	313,500
At 31 December '99	27,440	3,500	279,180	546,000	2,720,903	3,577,023

19 NOTES TO THE STATEMENT OF CASH FLOWS :

a) Reconciliation of operating profit to net cash inflow from operating activities	1999 £	1998 £
Operating profit	312,827	1,758
Depreciation	167,109	181,573
(Gain) on sale on disposal of fixed assets	(16,322)	(15,861)
Decrease in stocks	40,995	86,263
(Increase)/Decrease in debtors	(87,681)	66,050
Increase/(Decrease) in creditors	236,805	(158,562)
Net cash inflow from operating activities	653,733	161,221

b) Analysis of changes in net funds

	At 1 Jan 1999 £	Cash Flows £	Other Changes £	At 31 Dec 1999 £
Cash at bank and in hand	567,805	(22,706)	-	545,099
Finance leases and hire purchase contracts	(73,001)	78,830	(81,473)	(75,644)
	494,804	56,124	(81,473)	469,455

c) Non-cash transactions

During the year, the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of £81,473.

GAS MEASUREMENT INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS at 31 December 1999
(continued)**20 CAPITAL COMMITMENTS :**

There were no capital commitments at 31 December 1999.

21 PENSION COMMITMENTS :

The company has defined contribution pension schemes for its present directors and employees and for employees this operates on the basis of a group personal pension plan. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge for the year in respect of these schemes amounted to:

	1999 £	1998 £
Directors	32,236	23,749
Employees	48,372	46,439
	<u>80,608</u>	<u>70,188</u>

No amounts were outstanding in respect of the above pension schemes at the balance sheet date.

22 OTHER FINANCIAL COMMITMENTS :

1999 £	1998 £
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Operating leases

At 31 December 1999, the company had annual commitments under non-cancellable operating leases as set out below:

Operating leases which expire:
In over five years.

<u>19,750</u>	<u>19,750</u>
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23 CONTINGENT LIABILITY :

The directors confirm that there are no contingent liabilities at the year end.

24 ULTIMATE HOLDING COMPANY :

In the directors' opinion, the company's immediate and ultimate parent undertaking and controlling party is GMI Group Limited, a company incorporated in Scotland. Copies of the accounts of GMI Group Limited can be obtained from the registered office of that company.

GAS MEASUREMENT INSTRUMENTS LIMITED

**NOTES TO THE ACCOUNTS at 31 December 1999
(continued)**

25 RELATED PARTY TRANSACTIONS :

The directors have taken advantage of the exemptions allowed under FRS 8 relating to subsidiary undertakings.